

FIRSTLINE SCHOOLS, INC.
FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2009

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/3/10

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
FirstLine Schools, Inc.

We have audited the accompanying statement of financial position of **FirstLine Schools, Inc. (FirstLine)** as of June 30, 2009 and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of **FirstLine's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements of **FirstLine** referred to above present fairly, in all material respects, the financial position of **FirstLine** as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
FirstLine Schools, Inc.
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In accordance with the Government Auditing Standards, we have also issued our report dated December 17, 2009 on our consideration of FirstLine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of FirstLine taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Also, the accompanying combining schedules are presented for purposes of additional analysis and are not part of the basic financial statements of FirstLine. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 17, 2009



FIRSTLINE SCHOOLS, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2009

ASSETS

Cash and cash equivalents	\$1,898,706
Grants receivable	2,908,991
Other receivables	80,956
Investments	254,055
Prepaid expenses	49,423
Property and equipment, net (NOTE 2)	<u>783,041</u>
Total assets	<u>\$5,975,172</u>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 242,285
Accrued liabilities	<u>629,654</u>
Total liabilities	<u>871,939</u>

Net Assets:

Unrestricted	4,059,155
Temporarily restricted (NOTE 8)	<u>1,044,078</u>
Total net assets	<u>5,103,233</u>

Total liabilities and net assets	<u>\$5,975,172</u>
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The accompanying notes are an integral part of these financial statements.

FIRSTLINE SCHOOLS, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Revenues			
Local sources:			
Minimum Foundation Program	\$2,255,599	\$ -0-	\$2,255,599
Grants	26,774	-0-	26,774
Contributions	229,505	714,445	943,950
Interest earnings	45,777	6,806	52,583
Charges for food services	7,236	-0-	7,236
Gain on issuance recovery	363,333	-0-	363,333
Other	<u>68,970</u>	<u>-0-</u>	<u>68,970</u>
Total local sources	<u>2,997,194</u>	<u>721,251</u>	<u>3,718,445</u>
State sources:			
Minimum Foundation Program	1,885,280	-0-	1,885,280
Grants	<u>135,186</u>	<u>-0-</u>	<u>135,186</u>
Total state sources	<u>2,020,466</u>	<u>-0-</u>	<u>2,020,466</u>
Federal grants	<u>3,033,002</u>	<u>-0-</u>	<u>3,033,002</u>
Net assets released from restrictions (NOTE 8)	<u>416,784</u>	<u>(416,784)</u>	<u>-0-</u>
Total revenues	<u>8,467,446</u>	<u>304,467</u>	<u>8,771,913</u>
Expenses			
Program Services:			
Instruction programs	3,578,520	-0-	3,578,520
Edible School Yard	345,176	-0-	345,176
Support Services:			
Pupil support services	223,984	-0-	223,984
Instructional staff services	581,884	-0-	581,884
School administration	599,859	-0-	599,859
Business services	1,291,279	-0-	1,291,279
Operations and maintenance	725,047	-0-	725,047
Student transportation services	515,283	-0-	515,283
Food services operations	378,266	-0-	378,266
Depreciation expense	<u>235,312</u>	<u>-0-</u>	<u>235,312</u>
Total expenses	<u>8,474,610</u>	<u>-0-</u>	<u>8,474,610</u>
Change in net assets	(7,164)	304,467	297,303
Net assets, July 1, 2008	<u>4,066,319</u>	<u>739,611</u>	<u>4,805,930</u>
Net assets, June 30, 2009	<u>\$4,059,155</u>	<u>\$1,044,078</u>	<u>\$5,103,233</u>

The accompanying notes are an integral part of these financial statements.

FIRSTLINE SCHOOLS, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 297,303
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	235,312
Changes in Assets and Liabilities:	
Decrease in prepaid expense	37,380
Decrease in other receivables	5,247
Increase in grants receivable	(2,459,319)
Decrease in accounts payable	(3,915)
Increase in accrued liabilities	294,111
Decrease in deferred revenue	<u>(35,757)</u>
Net cash used in operating activities	<u>(1,629,638)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of property and equipment	(218,039)
Purchase of investments	<u>(254,055)</u>
Net cash used in investing activities	<u>(472,094)</u>
Decrease in cash and cash equivalents	(2,101,732)
Cash and cash equivalents, beginning of year	<u>4,000,438</u>
Cash and cash equivalents, end of year	<u>\$ 1,898,706</u>

The accompanying notes are an integral part of these financial statements.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - **NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES:**

General

FirstLine Schools, Inc. (FirstLine) is a non-profit organization that was formed in 1998 to serve as the chartering group for Arthur Ashe Charter School (Arthur Ashe) formerly known as New Orleans Charter Middle School (NOCMS). **FirstLine** has also been granted a charter by the Louisiana Board of Elementary and Secondary Education to operate Samuel J. Green Charter School (Green) beginning in the 2005-2006 school year. The board consists of individuals with experience in business and education that have an interest in public education.

The mission of **FirstLine** is to create and inspire great open admissions public schools in New Orleans.

Aligned with this general organizational mission, the mission of **FirstLine** will be to ensure that our students are prepared for success in school and life.

FirstLine will ensure all students are prepared for success in further education and fulfilling careers by:

- o Ensuring high achievement for all students;
- o Providing a rich variety of educational experiences to nurture students' social and emotional development, love of learning, environmental stewardship, sense of community responsibility, and strong sense of aspiration to achieve their educational and career goals; and
- o Developing the skillfulness of faculty and staff and creating sustainable working conditions that facilitate their success and build an existing success.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

General, Continued

In the 2008-2009 school year, Green and Arthur Ashe served 402 and 153 students, respectively, in grades kindergarten through eighth.

Basis of Accounting

FirstLine's financial statements are prepared on the accrual basis and in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenue is recorded when earned and expenses are recorded when incurred.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the those estimates.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Property and Equipment

Property and equipment of **FirstLine** with a cost of \$1,000 or more are recorded as assets (capitalized) and are stated at historical costs if purchased or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized.

Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use.

Grant Revenue

Revenues from governmental grants are recognized when allowable expenses are made by **FirstLine**. Funds received for specific purposes but not yet expended are recorded as deferred revenue.

Statement of Cash Flows

For the purposes of the Statement of Cash Flows, cash equivalents include all highly liquid instruments purchased with original maturities of three (3) months or less.

Income Taxes

FirstLine is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Financial Statement Presentation

In accordance with Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations", **FirstLine** is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets, as applicable.

At June 30, 2009, **FirstLine** had no permanently restricted net assets.

Contributions

In accordance with Statement of Financial Accounting Standards (SFAS) No. 116, "Accounting for Contributions Received and Contributions Made", unconditional promises to give (pledges) should be recorded as receivables and revenues, and **FirstLine** is required to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions.

Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Minimum Foundation Program (MFP)

FirstLine, operator of two (2) Type 5 charter schools, received funding from BESE in an amount for pupils based on estimated daily attendance at each school. The amount of funding received is adjusted during the school year based on the October 1st student count and the results of any audits performed.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - NATURE OF ACTIVITIES AND SUMMARY
OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Functional Allocation of Expenses

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among program and support services in the accompanying statement of activities.

Vacation Leave

Vacation for full-time staff is accrued on a monthly basis. Staff receives two (2) weeks annual vacation for the first five (5) years of employment. After five (5) years, staff receives three (3) weeks of vacation. After eleven (11) years, staff receives four (4) weeks of vacation. Vacation days do not accrue.

Paid Leave

Employees earn ten (10) days paid leave per year to be used in the event of their own illness, a family illness, bereavement, or personal business. Such paid leave may be used for the purpose of visiting doctors, dentist or other recognized practitioners. Employees may also use paid leave for the above reasons when it relates to immediate family members only. Paid leave cannot be carried from one year to the next and **FirstLine** will not pay the employee for unused leave upon termination.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - PROPERTY AND EQUIPMENT:

The following is a summary of property and equipment at June 30, 2009:

Land	\$ 372,200
Equipment	856,698
Less: accumulated depreciation	<u>(445,857)</u>
Net property and equipment	<u>\$ 783,041</u>

For the year ended June 30, 2009, depreciation expense was \$235,312.

NOTE 3 - RISK MANAGEMENT:

FirstLine is exposed to various risks of loss related to torts, theft of, damage to and destruction of property for which **FirstLine** carries commercial liability insurance coverage.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 4 - CONCENTRATION OF CREDIT RISK:

FirstLine maintains cash balances at local banks. Accounts at these institutions are secured by federal deposit insurance and the pledge of securities owned by the fiscal agent banks. At June 30, 2009, **FirstLine** had \$705,122 of funds not secured.

FIRSTLINE SCHOOLS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 5 - CONTINGENCY:

FirstLine is a recipient of grants from state and federal funding agencies. The grants are governed by various state and federal guidelines, regulations, and contractual agreements.

The administration of the programs and activities funded by these grants are under the control and administration of **FirstLine** and are subject to audit and/or review by grantors. Any grant funds found to be not properly spent in accordance with the terms, conditions, and regulations of state and federal agencies may be subject to recapture.

NOTE 6 - IN-KIND CONTRIBUTIONS:

FirstLine received rent-free use of school buildings from the Louisiana Recovery School District and also the use of furniture and equipment rent-free for Arthur Ashe and Green. The estimated values of the use of the buildings and furniture/equipment were not readily determinable and no amounts have been recorded in the accompanying financial statements.

NOTE 7 - BOARD OF DIRECTORS' COMPENSATION:

The board of directors of **FirstLine** is a voluntary board; therefore, no compensation was paid to any board member during the year ended June 30, 2009.

NOTE 8 - TEMPORARILY RESTRICTED NET ASSETS:

Temporarily restricted net assets in the amount of \$1,044,078 are available for the Edible School Yard Program at June 30, 2009.

For the year ended June 30, 2009, net assets were released from donor restrictions by incurring Edible School Yard Program expenses amounting to \$416,784.

SUPPLEMENTARY INFORMATION

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

<u>FEDERAL GRANTOR/PASS THROUGH GRANTOR PROGRAM TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Education		
Passed through Louisiana State		
Department of Education:		
Title I, Part A - Improving the Academic Achievement of the Disadvantaged	84.010A	\$1,747,868
Title II, Part A - Teacher and Principal Training and Recruiting Fund	84.367A	234,306
Title IV, Part A - Safe and Drug-Free Schools and Communities	84.186A	18,365
Title V, Part A - Innovative Programs	84.298A	1,289
Individuals with Disabilities Education Act (IDEA) Part B	84.027A	211,562
Individuals with Disabilities Education Act (IDEA) Preschool	84.173A	4,999
Public Charter Schools Program	84.282	<u>400,000</u>
Total U.S. Department of Education		<u>2,618,389</u>
U.S. Department of Agriculture		
<i>Child Nutrition Cluster</i>		
Passed through Louisiana State		
Department of Education:		
School Breakfast Program	10.553	122,881
National School Lunch Program	10.555	214,258
After School Snacks	10.555	49,082
Summer Food Service Program for Children	10.559	<u>18,044</u>
Total Child Nutrition Cluster		<u>404,265</u>
Passed through Loyola University		
of New Orleans:		
Community Food Projects	10.225	<u>10,348</u>
Total U.S. Department of Agriculture		<u>414,613</u>
Total Expenditures of Federal Awards		<u>\$3,033,002</u>

NOTE: The accompanying schedule of expenditures of federal awards includes the federal grant activity of FirstLine and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See the Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF FINANCIAL POSITION
JUNE 30, 2009

	Edible School Yard	FirstLine Network Activity	Arthur Ashe Charter School	Samuel J. Green Charter School	Eliminations	Total
ASSETS						
Cash and cash equivalents	\$ 896,437	\$ 42,763	\$ 842,134	\$ 117,372	\$ -	\$ 1,898,706
Grants receivable	-	-	361,404	2,547,587	-	2,908,991
Other receivables	715	42,822	37,419	-	-	80,956
Due from other program	3,316	454,389	1,607,078	141,126	(2,205,909)	-
Prepaid expenses	429	317	18,808	29,869	-	49,423
Investments	-	100	253,955	-	-	254,055
Property and equipment, net	169,121	23,746	372,200	217,974	-	783,041
TOTAL ASSETS	\$ 1,070,018	\$ 564,137	\$ 3,492,998	\$ 3,053,928	\$ (2,205,909)	\$ 5,975,172
LIABILITIES AND NET ASSETS						
Liabilities:						
Accounts payable	\$ 1,699	\$ 45,937	\$ 68,854	\$ 125,795	\$ -	\$ 242,285
Accrued liabilities	10,201	59,627	159,684	400,142	-	629,654
Due to other program	14,040	305,069	41,048	1,845,752	(2,205,909)	-
TOTAL LIABILITIES	25,940	410,633	269,586	2,371,689	(2,205,909)	871,939
Net Assets:						
Unrestricted	-	153,504	3,223,412	682,239	-	4,059,155
Temporarily restricted	1,044,078	-	-	-	-	1,044,078
TOTAL NET ASSETS	1,044,078	153,504	3,223,412	682,239	-	5,103,233
TOTAL LIABILITIES AND NET ASSETS	\$ 1,070,018	\$ 564,137	\$ 3,492,998	\$ 3,053,928	\$ (2,205,909)	\$ 5,975,172

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

	Edible School Yard	FirstLine Network Activity	Arthur Ashe Charter School	Samuel J. Green Charter School	Eliminations	Total
Revenues						
Local sources:						
Minimum Foundation Program	\$ -	\$ -	\$ 618,866	\$ 1,636,733	\$ -	\$ 2,255,599
Administrative fee revenue	-	1,304,494	-	-	(1,304,494)	-
Grants	-	26,774	-	-	-	26,774
Contributions-unrestricted	-	2,100	99,457	127,948	-	229,505
Contributions-temporarily restricted	714,445	-	-	-	-	714,445
Interest earnings	6,806	84	42,013	3,680	-	52,583
Charges for food services	-	-	987	6,249	-	7,236
Gain on insurance recovery	-	-	363,333	-	-	363,333
Other	-	50,780	4,742	13,448	-	68,970
Total local sources	<u>721,251</u>	<u>1,384,232</u>	<u>1,129,398</u>	<u>1,788,058</u>	<u>(1,304,494)</u>	<u>3,718,445</u>
State sources:						
Minimum Foundation Program	-	-	536,102	1,349,178	-	1,885,280
Grants	-	-	20,628	114,558	-	135,186
Total state sources	<u>-</u>	<u>-</u>	<u>556,730</u>	<u>1,463,736</u>	<u>-</u>	<u>2,020,466</u>
Federal grants	<u>-</u>	<u>-</u>	<u>375,661</u>	<u>2,657,341</u>	<u>-</u>	<u>3,033,002</u>
Total revenues	<u>721,251</u>	<u>1,384,232</u>	<u>2,061,789</u>	<u>5,909,135</u>	<u>(1,304,494)</u>	<u>8,771,913</u>
Expenses						
Program Services:						
Instruction programs	-	-	1,007,913	2,570,607	-	3,578,520
Edible School Yard	345,176	-	-	-	-	345,176
Support Services:						
Pupil support services	-	-	108,325	115,659	-	223,984
Instructional staff services	-	185,632	-	396,252	-	581,884
School administration	-	81,031	225,940	292,888	-	599,859
Business services	122	962,168	146,593	182,396	-	1,291,279
Operations and maintenance	-	65,165	275,055	384,827	-	725,047
Student transportation services	-	-	204,340	310,943	-	515,283
Central services	-	-	652,247	652,247	(1,304,494)	-
Food services operations	-	-	103,287	274,979	-	378,266
Depreciation	71,486	5,936	-	157,890	-	235,312
Total expenses	<u>416,784</u>	<u>1,299,932</u>	<u>2,723,700</u>	<u>5,338,688</u>	<u>(1,304,494)</u>	<u>8,474,610</u>
CHANGE IN NET ASSETS	304,467	84,300	(661,911)	570,447	-	297,303
NET ASSETS - JULY 1, 2008	<u>739,611</u>	<u>69,204</u>	<u>3,885,323</u>	<u>111,792</u>	<u>-</u>	<u>4,805,930</u>
NET ASSETS - JUNE 30, 2009	<u>\$ 1,044,078</u>	<u>\$ 153,504</u>	<u>\$ 3,223,412</u>	<u>\$ 682,239</u>	<u>\$ -</u>	<u>\$ 5,103,233</u>

See Independent Auditors' Report on Supplementary Information.

FIRSTLINE SCHOOLS, INC.
COMBINING SCHEDULE OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Edible School Yard</u>	<u>FirstLine Network Activity</u>	<u>Arthur Ashe Charter School</u>	<u>Samuel J. Green Charter School</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets	\$ 304,467	\$ 84,300	\$ (661,911)	\$ 570,447	\$ 297,303
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:					
Depreciation expense	71,486	5,936	-0-	157,890	235,312
Changes in Assets and Liabilities:					
(Increase) decrease in prepaid expense	(120)	(317)	44,669	(6,852)	37,380
(Increase) decrease in other receivables	(146)	(39,251)	(5,238)	49,882	5,247
Increase in grants receivable	-0-	-0-	(272,936)	(2,186,383)	(2,459,319)
Increase in due from other programs	(3,316)	(454,389)	(1,201,439)	(141,126)	(1,800,270)
Increase (decrease) in accounts payable	(6,739)	(1,084)	42,448	(38,540)	(3,915)
Increase in accrued liabilities	9,332	54,515	104,584	125,680	294,111
Increase in due to other programs	13,595	176,494	41,048	1,569,133	1,800,270
Decrease in deferred revenue	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(35,757)</u>	<u>(35,757)</u>
Net cash provided by (used in) operating activities	<u>388,559</u>	<u>(173,796)</u>	<u>(1,908,775)</u>	<u>64,374</u>	<u>(1,629,638)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property and equipment	(143,160)	(29,682)	-0-	(45,197)	(218,039)
Purchase of investments	<u>-0-</u>	<u>(100)</u>	<u>(253,955)</u>	<u>-0-</u>	<u>(254,055)</u>
Net cash used in investing activities	<u>(143,160)</u>	<u>(29,782)</u>	<u>(253,955)</u>	<u>(45,197)</u>	<u>(472,094)</u>
Increase (decrease) in cash and cash equivalents	245,399	(203,578)	(2,162,730)	19,177	(2,101,732)
Cash and cash equivalents, beginning of year	<u>651,038</u>	<u>246,341</u>	<u>3,004,864</u>	<u>98,195</u>	<u>4,000,438</u>
Cash and cash equivalents, end of year	<u>\$ 896,437</u>	<u>\$ 42,763</u>	<u>\$ 842,134</u>	<u>\$ 117,372</u>	<u>\$ 1,898,706</u>

See Independent Auditors' Report on Supplementary Information.



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Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA
Joseph A. Akanji, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors of
FirstLine Schools, Inc.

We have audited the financial statements of **FirstLine Schools, Inc. (FirstLine)**, (a not-for-profit corporation) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 17, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered **FirstLine's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **FirstLine's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **FirstLine's** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Internal Control Over Financial Reporting, Continued

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects FirstLine's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of FirstLine's financial statements that is more than inconsequential will not be prevented or detected by FirstLine's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 09-01 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by FirstLine's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the significant deficiency described above to be a material weakness.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **FirstLine's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of **FirstLine** in a separate letter dated December 17, 2009.

FirstLine's response to the finding identified in our audit is described in the accompanying Corrective Action Plan. We did not audit **FirstLine's** response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, **FirstLine's** Board of Directors, the Louisiana Recovery School District, the Louisiana Legislative Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 17, 2009



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Directors of
FirstLine Schools, Inc.

Compliance

We have audited the compliance of FirstLine Schools, Inc. (FirstLine) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal programs for the year ended June 30, 2009. FirstLine's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of FirstLine's management. Our responsibility is to express an opinion on FirstLine's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **FirstLine's** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **FirstLine's** compliance with those requirements.

As described in item 09-02 in the accompanying schedule of findings and questioned costs, **FirstLine** did not comply with requirements regarding allowable costs/cost principles that are applicable to its Public Charter Schools Program and as described in items 09-06 and 09-07 in the accompanying schedule of findings and questioned costs, **FirstLine** did not comply with requirements regarding period of availability and costs/cost principles, respectively, that are applicable to its Title I Program. Compliance with such requirements is necessary, in our opinion, for **FirstLine** to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, **FirstLine** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 09-03 to 09-05 and 9-08.

Internal Control Over Compliance

The management of **FirstLine** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **FirstLine's** internal control over compliance with the requirements that could

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133
(CONTINUED)

Internal Control Over Compliance, Continued

have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **FirstLine's** internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in **FirstLine's** internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in **FirstLine's** internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects **FirstLine's** ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by **FirstLine's** internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 09-02 to 09-08 to be significant deficiencies.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133

(CONTINUED)

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by FirstLine's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 09-02, 09-06 and 09-07 to be material weaknesses.

FirstLine's response to the findings identified in our audit is described in the accompanying Corrective Action Plan. We did not audit FirstLine's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, FirstLine's Board of Directors, the Louisiana Recovery School District, the Louisiana Legislative Auditor, federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 17, 2009

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009

Section I - SUMMARY OF AUDITORS' RESULTS

- A. The type of report issued on the financial statements: **Unqualified Opinion.**
- B. Significant deficiencies in internal control were disclosed by the audit of the financial statements: **Yes** Material weaknesses: **Yes**
- C. Noncompliance which is material to the financial statements: **No.**
- D. Significant deficiencies in internal control over major programs: **Yes** Material weaknesses: **Yes.**
- E. The type of report issued on compliance for major programs: **Qualified.**
- F. Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133: **Yes.**
- G. Major programs:
 - United States Department of Education:
 - Title I - CFDA No. 84.010
 - Public Charter School Programs - CFDA No.: 84.282
 - United States of Agriculture:
 - Child Nutrition Cluster - CFDA No's.: 10.553, 10.555, 10.559
- H. Dollar threshold used to distinguish between Type A and Type B programs: **\$300,000.**
- I. Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: **No.**
- J. A management letter issued: **Yes.**

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

**SECTION II - FINDINGS RELATED TO THE FINANCIAL
STATEMENT REPORTED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

09-01 - Review and Approval Procedures

Criteria

Management must establish internal control objectives for the accuracy of financial statements and the validity of transactions in order to effectively assess areas of potential risk.

Condition

We noted during our audit that bank reconciliations and journal entries lacked evidence of supervisory review and approval.

Effect

There is a potential that the financial statements will be misstated or fraudulent activity will occur from the absence of documented review and approval procedures.

Cause

FirstLine has not designed internal controls procedures that require the review and approval process to be fully documented.

Recommendation

We recommend that **FirstLine** implement policies and procedures that provide that all bank reconciliations and journal entries prepared by staff are documented as being reviewed and approved by a supervisor.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS

09-02 - Unallowed Costs
CFDA 84.282 Public Charter Schools Program

Criteria

According to 2 CFR Part 230 Appendix A to Part 230 - General Principles, Section A.b., costs charged to a federal grant program must be reasonable as imposed by the terms and conditions of the award.

Condition

We noted during our single audit of the Public Charter Schools Program (PCSP) that **FirstLine** requested and received \$57,914 for the reimbursed cost of educational consultant fees under the budget description of purchased professional and technical services. However, the individual for which **FirstLine** received this reimbursement was an employee of **FirstLine** and not an educational consultant. Therefore, the reimbursed amount of \$57,914 is considered unallowed costs.

Also, we noted during our audit that **FirstLine** requested reimbursement for the costs of copy machine usage under the budget expenditure category of purchased professional and technical services. The amount of copy machine costs requested and received for reimbursement was \$2,731.

Questioned Costs

\$60,645 (\$57,914 and \$2,731).

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS, CONTINUED

09-02 - Unallowed Costs, Continued
CFDA 84.282 Public Charter Schools Program

Effect

FirstLine has been overpaid in reimbursed grant expenses that should not have been charged to PCSP.

Cause

FirstLine lacks procedures to ensure that reimbursement requests submitted to granting agencies are accurate and for allowable costs.

Recommendation

We recommend that **FirstLine** establish procedures to ensure that expenses are requested for only allowable grant expenses.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS, CONTINUED

09-03 - **Suspension and Debarment**
CFDA 84.282 Public Charter Schools Program

Criteria

Effective November 26, 2003, when a non-federal entity enters into a covered transaction with an entity at a lower tier the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded.

Condition

We noted during our testing of cash disbursements that **FirstLine** made procurement contracts for goods and services exceeding the \$25,000 "covered transactions" threshold without verification that vendor was not suspended, debarred or otherwise excluded.

Questioned Costs

None.

Effect

FirstLine entered in covered transactions, as outlined in federal regulations, that may be with suspended, debarred or otherwise excluded parties.

Cause

Management lacked procedures to ensure suspension and debarment rules and regulations were complied with.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS, CONTINUED

09-03 - Suspension and Debarment, Continued
CFDA 84.282 Public Charter Schools Program

Recommendation

We recommend that **FirstLine** verify by checking the *Excluded Parties List System (EPLS)* maintained by the General Services Administration (GSA), collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS, CONTINUED

09-04 - Procurement
CFDA 84.282 Public Charter Schools Program

Criteria

2 CFR Section 215.44(a) states –

(a) all recipients shall establish writing procurement procedures. These procedures shall provide for, at a minimum, that paragraphs (a)(1), (2) and (3) of this section apply.

Condition

We noted during our audit that **FirstLine** does not have a written procurement policy.

Questioned Costs

None.

Effect

FirstLine has not complied with federal regulations.

Cause

FirstLine did not establish a written procurement policy.

Recommendation

We recommend that **FirstLine** establish a written procurement policy, as outlined in 2 CFR Section 215.44.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS, CONTINUED

09-05 - Cost and Price Analysis
CFDA 10.555 School Lunch Program

Criteria

2 CFR Section 215.45 states –

“Some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action. Price analysis may be accomplished in various ways, including the comparison of price quotations submitted, market prices and similar indicia, together with discounts. Cost analysis is the review and evaluation of each element of cost to determine reasonableness, allocability and allowability”.

Condition

The food service contract was renegotiated during the 2009 fiscal year. We noted that a cost or price analysis was not documented in the procurement files in connection with the awarding of the food service contract.

Questioned Costs

None.

Effect

Procurement of services were made not in compliance with federal regulations.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS, CONTINUED

09-05 - Cost and Price Analysis, Continued
CFDA 10.555 School Lunch Program

Cause

Lack of adequate procedures to ensure procurement regulations were complied with.

Recommendation

We recommend that **FirstLine** take the necessary steps to ensure that some form of cost or price analysis is made and documented in the procurement files in connection with every procurement action.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS, CONTINUED

09-06 - Period of Availability
CFDA 84.010 Title I

Criteria

2 CFR Section 215.28 states—

“Where a funding period is specified, a recipient may charge to the grant only allowable costs resulting from obligations incurred during the funding period and any pre-award costs authorized by the Federal awarding agency”.

Condition

During our testwork, we noted that salary and related benefit expenditures amounting to \$117,332 were requested and reimbursed for costs that were incurred prior to the beginning of the grant period.

Questioned Costs

\$117,332.

Effect

FirstLine received costs reimbursements that it was not entitled to.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS, CONTINUED

09-06 - Period of Availability, Continued
CFDA 84.010 Title I

Cause

Lack of procedures to ensure that only allowable costs within the period of availability were claimed for reimbursements.

Recommendation

We recommend that **FirstLine** establish internal controls to provide reasonable assurance that federal funds are used only during the authorized period of availability.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS, CONTINUED

09-07 - Unallowed Costs
CFDA 84.010 Title I

Criteria

According to 2 CFR Part 230 Appendix A to Part 230 - General Principles, Section A.b., costs charged to a federal grant program must be reasonable as imposed by the terms and conditions of the award.

Condition

We noted during our audit that management requested and received reimbursement of \$245,336 of salary and related benefits for six (6) employees not meeting criteria of class-reduction teachers, as outlined by management and in the final approved Title I grant.

Questioned Costs

\$245,336.

Effect

Unallowable costs, not meeting criteria of allowability, reasonableness and allocability were charged against the Title I grant.

Cause

Management lacked proper procedures to ensure that reimbursement requests submitted to granting agency are accurate and for allowable cost.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS, CONTINUED

09-07 - Unallowed Costs, Continued
CFDA 84.010 Title I

Recommendation

We recommend that **FirstLine** establish procedures to ensure that expenses are requested for only allowable grant expenses.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS, CONTINUED

09-08 - Parental Involvement Policies
CFDA 84.010 Title I

Criteria

Section 1118(a)(2)(E-F) of the No Child Left Behind Act of 2001 requires each local educational agency to develop a written parent involvement policy jointly with parents and to distribute such policy to parents. The parental involvement policy shall be evaluated annually for its contents and effectiveness.

Condition

FirstLine failed to provide evidence that school's parental involvement policies were developed, distributed and evaluated in consultation with parents.

Questioned Costs

None.

Effect

FirstLine has not complied with the parental involvement policies required by the No Child Left Behind Act of 2001.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2009

SECTION III - FINDINGS AND QUESTIONED COSTS
RELATED TO FEDERAL AWARDS, CONTINUED

09-08 - Parental Involvement Policies, Continued
CFDA 84.010 Title I

Cause

FirstLine did not have policies and procedures in place to ensure that school's parental involvement policies were developed, distributed and evaluated in consultation with parents.

Recommendation

We recommend that **FirstLine** develop the school parental involvement policies in consultation with parents, ensure these policies are distributed to parents, and maintain documentation that this has occurred. **FirstLine** should ensure that the policies are distributed to parents at parent conferences, open house, PTO and other scheduled parent meetings. Documentation should include meeting agendas and/or meeting summaries which include required topics for discussion.

FIRSTLINE SCHOOLS, INC.
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Section I - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO THE FINANCIAL STATEMENTS

08-01 - Submission of Audit Report

We recommended that management immediately take the necessary action to prevent a reoccurrence of audit reports untimely submitted to the Legislative Auditor. We also recommended that the current fiscal year's monthly financial statements remitted to the Board be formatted similar to the Combining Schedule of Financial Position and Combining Statement of Activities appearing in the audit report, in addition to receiving a budget compared to actual for each Charter School. The monthly financial statements should also reflect the monthly reimbursement request to the state for grant expenditures.

Current Status

Resolved.

Section II - INTERNAL CONTROL AND COMPLIANCE
MATERIAL TO FEDERAL AWARDS

No findings and questioned costs were reported.

Section III - MANAGEMENT LETTER

No matters were reported.



December 23, 2009

Mr. Michael Bruno, CPA
Bruno & Tervalon, LLP
4298 Elysian Fields Avenue
New Orleans, LA 70122

Dear Mr. Bruno:

Please accept the following as FirstLine Schools Management's Corrective Action Plan to the 2009 Single Audit Findings and Management Letter Comments.

2009 SINGLE AUDIT FINDINGS RESPONSES

FINDING 09-01 REVIEW AND APPROVALS PROCEDURES

As October 2009, FirstLine Schools now conducts reconciliation reports on a monthly basis including reconciliation with bank statements and the general ledger. These new procedures will eliminate any future reconciliation issues. These procedures are also to be included in the new accounting manual that FirstLine is publishing in fiscal year 2010.

FINDING 09-02 UNALLOWED COSTS

FirstLine Schools believes that this is a classification error that can be reasonably justified. While the position was coded as a salary, instead of as a consultant as preferred by the grant guidelines, the position did meet consultant requirements as outlined in the grant guidelines. Further, the individual who holds this position held a one-year contract and the contract has not been renewed. Nor is the person still employed with FirstLine Schools or the position one that still exists at FirstLine Schools. In essence, all of the tests for consulting status are met, except that the individual was not hired as a consultant.

Similarly, it is believed that the copy costs are a comparable misclassification as the grant does permit printing and reproduction as acceptable costs.

FirstLine Schools is establishing new policies and procedures for grant management as part of its new accounting manual and will use these procedures to avoid similar mis-classifications in the future.

FINDING 09-03 SUSPENSION AND DEBARMENT

Going forward, FirstLine Schools will conduct a check for suspension and debarment for all of its vendor contracts and request that all vendor contracts include a clause

stating that the vendor is not listed on the United States Excluded Parties List. These procedures will be included in the FirstLine Schools accounting policies and procedures manual to be published in fiscal year 2010.

FINDING 09-04 PROCUREMENT

FirstLine Schools will establish a procurement policy and procedure in fiscal year 2010, and this will be included in the FirstLine Schools accounting manual that will be published in fiscal year 2010.

FINDING 09-05 COST AND PRICE ANALYSIS

Included in the aforementioned procurement policy and procedures will be a requirement for a cost and price analysis. This procedure will be included in the FirstLine Schools accounting manual that will be published in fiscal year 2010.

FINDING 09-06 PERIOD OF AVAILABILITY

FirstLine Schools is aware that some of the costs claimed under this grant may not be within the period of availability but that it will be able to pursue these funds through an amendment to the grant and the substitution of alternative expenses if necessary.

FINDING 09-07 UNALLOWED COSTS

FirstLine Schools is aware that some of the costs allocated to this grant may not be within the scope of the grant. FirstLine Schools is researching alternatives to ensure that these funds can be retained through an amendment to the grant and the substitution of alternative expenses if necessary.

FINDING 09-08 PARENTAL INVOLVEMENT POLICIES

FirstLine Schools is developing an accounting manual as well as an operations manual. These two items together will include detailed policies and procedures that will address the publication, distribution and review of parental involvement policies and other related parental involvement materials.

2009 MANAGEMENT LETTER COMMENTS RESPONSES

MLC 09-01 DISASTER RECOVERY PROGRAM

FirstLine Schools recognizes the importance of written policies and procedures and has identified this area as one of the primary responsibilities of its newly hired Chief Operating Officer who began employment in May 2009. FirstLine Schools will have a formal, written disaster recovery program by the conclusion of FY 2010. Included in this policy will be a procedure for ongoing offsite records back-up to ensure preparedness in the event of disaster recovery.

MLC 09-02 RECONCILIATION OF SUBSIDIARY RECORDS

As October 2009, FirstLine Schools now conducts reconciliation reports on a monthly basis including reconciliation with bank statements and the general ledger. These new procedures will eliminate any future reconciliation issues.

MLC 09-03 EQUIPMENT INVENTORIES

FirstLine Schools will conduct equipment inventories on the items listed on its balance sheet beginning in the 2010 fiscal year. FirstLine Schools has also instituted a policy to conduct annual inventories on its physical assets.

MLC 09-04 CASH DISBURSEMENTS

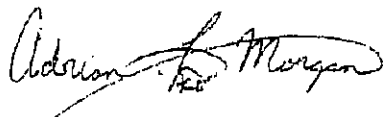
FirstLine Schools currently uses one administrative request form to process all of its financial transaction requests. Beginning in fiscal year 2010, FirstLine Schools will institute separate forms for travel expenses, expense reimbursements, purchase orders, check requests and cash advances. These forms are part of the larger financial accounting policy and procedures manual that FirstLine Schools is producing in fiscal year 2010. These new policies and procedures will result in a greatly reduced likelihood of incorrect transactions or payments.

MLC 09-05 ACCOUNTING MANUAL

FirstLine Schools is in the process of developing an accounting policy and procedures manual for the upcoming fiscal year and will have it completed by the end of fiscal year 2010. This will resolve any issues regarding a lack of policies and procedures. This manual will be reviewed at least bi-annually and will be updated accordingly.

If additional information is needed, please contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Adrian Morgan". The signature is fluid and cursive, with the first name "Adrian" and last name "Morgan" clearly distinguishable.

Adrian Morgan
Chief Operating Officer
FirstLine Schools, Inc.

FIRSTLINE SCHOOLS, INC.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES

FOR THE YEAR ENDED JUNE 30, 2009

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**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES**

To the Board of Directors
FirstLine Schools, Inc.

We have performed the procedures included in the *Louisiana Governmental Audit Guide* and enumerated below, which were agreed to by the management of **FirstLine Schools, Inc. (FirstLine)** and the Legislative Auditor, State of Louisiana, solely to assist users in evaluating management's assertions about the accompanying performance and statistical data and to determine whether the specified schedules are free of obvious errors and omissions as provided by the Board of Elementary and Secondary Education (BESE). This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on management's assertions. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of management, Board of Directors, the Louisiana Department of Education, the Louisiana Legislature, and the Legislative Auditor, State of Louisiana, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 17, 2009

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS

Our procedures and findings relate to the accompanying schedules and are as follows:

***General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources (SCHEDULE 1)***

1. We selected a random sample of 25 transactions and reviewed supporting documentation to determine if the sampled expenditures/revenues are classified correctly and are reported in the proper amounts for each of the following reported on the schedule:
 - Total General Fund Instructional Expenditures,
 - Total General Fund Equipment Expenditures,
 - Total Local Taxation Revenue,
 - Total Local Earnings on Investment in Real Property,
 - Total State Revenue in Lieu of Taxes,
 - Nonpublic Textbook Revenue, and
 - Nonpublic Transportation Revenue.

No differences noted.

Education Levels of Public School Staff (SCHEDULE 2)

2. We reconciled the total number of full-time classroom teachers per the schedule "Experience of Public Principals, Assistant Principals and Full-time Classroom Teachers" (SCHEDULE 4) to the combined total number of full-time classroom teachers per this schedule and to FirstLine's supporting payroll records as of October 1, 2008.

No differences noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Education Levels of Public School Staff (SCHEDULE 2), Continued

3. We reconciled the combined total of principals and assistant principals per the schedule "Experience of Public Principals, Assistant Principals and Full-time Classroom Teachers" (SCHEDULE 4) to the combined total of principals and assistant principals per this schedule.

No differences noted.

4. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2008 and as reported on the schedule. We traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's education level was properly classified on the schedule.

No differences noted.

Number and Type of Public Schools (SCHEDULE 3)

5. We obtained a list of schools by type as reported on the schedule. Also, we compared the list to the schools and grade levels as reported on the Title 1 Grants to Local Educational Agencies (CFDA 84.010) application and/or the National School Lunch Program (CFDA 10.555) application.

No differences noted.

**INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

PROCEDURES AND FINDINGS, CONTINUED

Experience of Public Principals, Assistant Principals and Full-time Classroom Teachers (SCHEDULE 4)

6. We obtained a list of full-time teachers, principals, and assistant principals by classification as of October 1, 2008 and as reported on the schedule and traced the same sample used in procedure 4 to the individual's personnel file and determined if the individual's experience was properly classified on the schedule.

No differences noted.

Public School Staff Data (SCHEDULE 5)

7. We obtained a list of all classroom teachers including their base salary, extra compensation, and ROTC or rehired retiree status as well as full-time equivalent as reported on the schedule and traced a random sample of 25 teachers to the individual's personnel file and determined if the individual's salary, extra compensation, and full-time equivalents were properly included on the schedule.

Certain data reported to the State in the June 30, 2009 Profile of Educational Personnel report was incorrect. FirstLine provided us with the corrected data, which we tested noting no differences. The accompanying Schedule 5 reflects the corrected data.

8. We recalculated the average salaries and full-time equivalents reported in the schedule.

Certain data reported to the State in the June 30, 2009 Profile of Educational Personnel report was incorrect. FirstLine provided us with the corrected data, which we tested noting no differences. The accompanying Schedule 5 reflects the corrected data.

INDEPENDENT ACCOUNTANTS' REPORT
ON
APPLYING AGREED-UPON PROCEDURES
(CONTINUED)

PROCEDURES AND FINDINGS, CONTINUED

Class Size Characteristics (SCHEDULE 6)

9. We obtained a list of classes by school, school type and class size as reported on the schedule. We then traced a random sample of 10 classes to the October 1, 2008 roll books for those classes and determined if the class was properly classified on the schedule.

No differences noted.

*Louisiana Educational Assessment Program (LEAP) for
the 21st Century (SCHEDULE 7)*

10. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **FirstLine**.

No differences noted.

Graduation Exit Exam for the 21st Century (SCHEDULE 8)

11. We did not obtain test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **FirstLine**.

This procedure was not applicable because **FirstLine** operates only one charter school, which includes grades Kindergarten to 8th.

The iLEAP Tests (SCHEDULE 9)

12. We obtained test scores as provided by the testing authority and reconciled scores as reported by the testing authority to scores reported in the schedule by **FirstLine**.

No differences noted.

FIRSTLINE SCHOOLS, INC.
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA)

SCHEDULE 1 - General Fund Instructional and Support Expenditures and Certain Local Revenue Sources

This schedule includes general fund instructional and equipment expenditures. It also contains local taxation revenue, earnings on investments, revenue in lieu of taxes, and nonpublic textbook and transportation revenue. This data is used either in the Minimum, Foundation Program (MFP) formula or is presented annually in the MFP 70% Expenditure Requirement Report.

SCHEDULE 2 - Education Levels of Public School Staff

This schedule includes the certificated and uncertificated number and percentage of full-time classroom teachers and the number and percentage of principals and assistant principals with less than a Bachelor's; Master's; Master's +30; Specialist in Education; and Ph.D. or Ed.D. degrees. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

SCHEDULE 3 - Number and Type of Public Schools

This schedule includes the number of elementary, middle/junior high, secondary and combination schools in operation during the fiscal year. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

SCHEDULE 4 - Experience of Public Principals, Assistant Principals and Full-time Classroom Teachers

This schedule includes the number of years of experience in teaching for assistant principals, principals, and full-time classroom teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

FIRSTLINE SCHOOLS, INC.
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA), CONTINUED

SCHEDULE 5 - Public School Staff Data

This schedule includes average classroom teachers salary using full-time equivalents, including and excluding ROTC and rehired retiree teachers. This data is currently reported to the Legislature in the Annual Financial and Statistical Report (AFSR).

SCHEDULE 6 - Class Size Characteristics

This schedule includes the percent and number of classes with student enrollment in the following ranges: 1-20; 21-26, 27-33, and 34+ students. This data is currently reported to the Legislature in the Annual School Report (ASR).

**SCHEDULE 7 - Louisiana Educational Assessment Program (LEAP)
for the 21st Century**

This schedule represents student performance testing data and includes summary scores by district for grades 4 and 8 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

SCHEDULE 8 - The Graduation Exit Exam for the 21st Century

This schedule represents student performance testing data and includes summary scores by district for grades 10 and 11 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory. This schedule includes three years of data.

FIRSTLINE SCHOOLS, INC.
SCHEDULES REQUIRED BY STATE LAW (R.S. 24:514 -
PERFORMANCE AND STATISTICAL DATA), CONTINUED

SCHEDULE 9 - The iLEAP Tests

This schedule represents student performance testing data and includes statewide and district summary scores for grades 3, 5, 6, 7 and 9 in each category tested. Scores are reported as Advanced, Mastery, Basic, Approaching Basic, and Unsatisfactory.

**General Fund Instructional and Support Expenditures
and Certain Local Revenue Sources
For the Year Ended June 30, 2009**

General Fund Instructional and Equipment Expenditures

General Fund Instructional Expenditures:

Teacher and Student Interaction Activities:

Classroom Teacher Salaries	\$	2,002,546	
Other Instructional Staff Activities		306,160	
Employee Benefits		512,170	
Purchased Professional and Technical Services		338,823	
Instructional Materials and Supplies		338,460	
Instructional Equipment		4,822	
Total Teacher and Student Interaction Activities	\$		3,502,981

Other Instructional Activities 75,539

Pupil Support Activities	223,984	
Less: Equipment for Pupil Support Activities	-	
Net Pupil Support Activities		223,984

Instructional Staff Services	581,844	
Less: Equipment for Instructional Staff Services	-	
Net Instructional Staff Services		581,844

School Administration	599,859	
Less: Equipment for School Administration	-	
Net School Administration		599,859

Total General Fund Instructional Expenditures	\$	4,384,348
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Total General Fund Equipment Expenditures	\$	-
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Certain Local Revenue Sources

Local Taxation Revenue:

Constitutional Ad Valorem Taxes	\$	-
Renewable Ad Valorem Tax		-
Debt Service Ad Valorem Tax		-
Up to 1% of Collections by the Sheriff on Taxes Other than School Taxes		-
Sales and Use Taxes		-
Total Local Taxation Revenue	\$	-

Local Earnings on Investment in Real Property:

Earnings from 16th Section Property		-
Earnings from Other Real Property		-
Total Local Earnings on Investment in Real Property	\$	-

State Revenue in Lieu of Taxes:

Revenue Sharing - Constitutional Tax	\$	-
Revenue Sharing - Other Taxes		-
Revenue Sharing - Excess Portion		-
Other Revenue in Lieu of Taxes		-
Total State Revenue in Lieu of Taxes	\$	-

Nonpublic Textbook Revenue	\$	-
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Nonpublic Transportation Revenue	\$	-
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See accompanying independent accountants' report on applying agreed-upon procedures.

Education Levels of Public School Staff
As of October 1, 2008

Category	Full-time Classroom Teachers				Principals & Assistant Principals			
	Certificated		Uncertificated		Certificated		Uncertificated	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than a Bachelor's Degree			1	6%				
Bachelor's Degree	26	81%	13	81%			1	25%
Master's Degree	6	19%	2	13%	1	100%	3	75%
Master's Degree +30								
Specialist in Education								
Ph.D. or Ed.D.								
Total	32	100%	16	100%	1	100%	4	100%

See accompanying independent accountants' report on applying agreed-upon procedures.

**Number and Type of Public Schools
For the Year Ended June 30, 2009**

Type	Number
Elementary:	2
Middle/Jr. High	
Secondary	
Combination	
Total	2

See accompanying independent accountants' report on applying agreed-upon procedures.

**Experience of Public Principals, Assistant Principals
and Full-time Classroom Teachers
As of October 1, 2008**

	0 - 1 Yr.	2 - 3 Yrs.	4 - 10 Yrs.	11 - 14 Yrs.	15 - 19 Yrs.	20 - 24 Yrs.	25+ yrs.	Total
Assistant Principals			4		1			5
Principals			1		1			2
Classroom Teachers	15	7	17	4	1	2	0	46
Total	15	7	22	4	3	2	0	53

See accompanying independent accountants' report on applying agreed-upon procedures.

Public School Staff Data
For the Year Ended June 30, 2009

	All Classroom Teachers	Classroom Teachers Excluding ROTC and Rehired Retirees
Average Classroom Teachers' Salary Excluding Extra Compensation	42,754.12	42,754.13
Average Classroom Teachers' Salary Including Extra Compensation	45,750.35	45,750.35
Number of Teachers' Full-time Equivalents (FTEs) used in Computation of Average Salaries	40	40

Note: Figures reported include all sources of funding (I/e., federal, state, and local) but exclude employee benefits. Generally, retired teachers rehired to teach receive less compensation than non-retired teachers and ROTC teachers receive more compensation.

See accompanying independent accountants' report on applying agreed-upon procedures.

Class Size Characteristics
As of October 1, 2008

School Type	Class Size Range							
	1 - 20		21 - 26		27 - 33		34+	
	Percent	Number	Percent	Number	Percent	Number	Percent	Number
Elementary	39%	59	61%	91				
Elementary Activity Classes								
Middle/Jr. High								
Middle/Jr. High Activity Classes								
High								
High Activity Classes								
Combination								
Combination Activity Classes								

Note: The Board of Elementary and Secondary Education has set specific limits on the maximum size of classes at various grade levels. The maximum enrollment in grades K-3 is 26 students and maximum enrollment in grades 4-12 is 33 students.

See accompanying independent accountants' report on applying agreed-upon procedures.

Louisiana Educational Assessment Program (LEAP) for the 21st Century
For the Year Ended June 30, 2009

District Achievement Level Results	English Language Arts						Mathematics					
	2009		2008		2007		2009		2008		2007	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4												
Advanced	0	0.0%	0	0.0%	0	0.0%	1	1.3%	0	0.0%	0	0.0%
Proficient	7	9.3%	2	3.8%	0	0.0%	2	2.7%	0	0.0%	0	0.0%
Basic	31	41.3%	10	19.2%	6	20.7%	22	29.3%	13	25.0%	7	24.1%
Approaching Basic	23	30.7%	19	36.5%	11	37.9%	23	30.7%	13	25.0%	12	41.4%
Unsatisfactory	14	18.7%	21	40.4%	12	41.4%	27	36.0%	26	50.0%	10	34.5%
Total	75	100.0%	52	99.9%	29	100.0%	75	100.0%	52	100.0%	29	100.0%

District Achievement Level Results	Science						Social Studies					
	2009		2008		2007		2009		2008		2007	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 4												
Advanced	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Proficient	4	5.3%	1	1.9%	0	0.0%	3	4.0%	0	0.0%	0	0.0%
Basic	29	38.7%	6	11.5%	5	17.2%	24	32.0%	5	9.6%	5	17.2%
Approaching Basic	31	41.3%	19	36.5%	12	41.4%	26	34.6%	18	34.6%	8	27.6%
Unsatisfactory	11	14.7%	26	50.0%	12	41.4%	22	29.3%	29	55.8%	16	55.2%
Total	75	100.0%	52	99.9%	29	100.0%	75	99.9%	52	100.0%	29	100.0%

District Achievement Level Results	English Language Arts						Mathematics					
	2009		2008		2007		2009		2008		2007	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	0	0.0%	0	0.0%	0	0.0%	2	4.3%	0	0.0%	0	0.0%
Proficient	2	4.3%	1	1.2%	2	2.5%	1	2.1%	1	1.2%	1	1.3%
Basic	24	51.1%	24	29.3%	30	37.5%	31	66.0%	31	38.3%	28	35.0%
Approaching Basic	18	38.3%	36	43.9%	33	41.3%	8	17.0%	26	32.1%	26	32.5%
Unsatisfactory	3	6.4%	21	25.6%	15	18.8%	5	10.6%	23	28.4%	25	31.3%
Total	47	100.1%	82	100.0%	80	100.1%	47	100.0%	81	100.0%	80	100.1%

District Achievement Level Results	Science						Social Studies					
	2009		2008		2007		2009		2008		2007	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 8												
Advanced	1	2.1%	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Proficient	3	6.4%	0	0.0%	2	2.5%	0	0.0%	0	0.0%	0	0.0%
Basic	18	38.3%	8	10.0%	14	17.5%	17	36.2%	15	18.8%	27	33.8%
Approaching Basic	19	40.4%	35	43.8%	32	40.0%	16	34.0%	36	45.0%	24	30.0%
Unsatisfactory	6	12.8%	37	46.3%	32	40.0%	14	29.8%	29	36.3%	29	36.3%
Total	47	100.0%	80	100.1%	80	100.0%	47	100.0%	80	100.1%	80	100.1%

See accompanying independent accountants' report on applying agreed-upon procedures.

**The Graduate Exit Exam for the 21st Century
For the Year Ended June 30, 2009**

District Achievement Level Results	English Language Arts						Mathematics					
	2009		2008		2007		2009		2008		2007	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 10												
Advanced												
Proficient												
Basic												
Approaching Basic												
Unsatisfactory												
Total												

District Achievement Level Results	Science						Social Studies					
	2009		2008		2007		2009		2008		2007	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 11												
Advanced												
Proficient												
Basic												
Approaching Basic												
Unsatisfactory												
Total												

Note: This schedule does not apply.

See accompanying independent accountants' report on applying agreed-upon procedures.

The iLEAP Tests
For the Year Ended June 30, 2009

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3 (Green Only)								
Advanced	0	0.0%	0	0.0%	0	0.0%	1	2.1%
Mastery	5	10.6%	1	2.1%	2	4.3%	4	8.5%
Basic	13	27.7%	16	34.0%	9	19.1%	19	40.4%
Approaching Basic	14	29.8%	10	21.3%	23	48.9%	11	23.4%
Unsatisfactory	15	31.9%	20	42.6%	13	27.7%	12	25.5%
Total	47	100.0%	47	100.0%	47	100.0%	47	99.9%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0.0%	1	1.8%	0	0.0%	0	0.0%
Mastery	0	0.0%	2	3.6%	1	1.8%	4	7.3%
Basic	21	38.2%	23	41.8%	17	30.9%	19	34.5%
Approaching Basic	23	41.8%	13	23.6%	30	54.5%	19	34.5%
Unsatisfactory	11	20.0%	16	29.1%	7	12.7%	13	23.6%
Total	55	100.0%	55	99.9%	55	99.9%	55	99.9%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0.0%	1	1.8%	1	1.8%	1	1.8%
Mastery	3	5.4%	2	3.6%	2	3.6%	2	3.6%
Basic	20	35.7%	24	42.9%	18	32.1%	15	26.8%
Approaching Basic	17	30.4%	11	19.6%	27	48.2%	19	33.9%
Unsatisfactory	16	28.6%	18	32.1%	8	14.3%	19	33.9%
Total	56	100.1%	56	100.0%	56	100.0%	56	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2009		2009		2009		2009	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	1	1.1%	3	3.4%	1	1.2%	0	0.0%
Mastery	5	5.7%	2	2.3%	6	7.0%	4	4.7%
Basic	25	28.7%	33	37.9%	24	27.9%	48	55.8%
Approaching Basic	33	37.9%	24	27.6%	39	45.3%	18	20.9%
Unsatisfactory	23	26.4%	25	28.7%	16	18.6%	16	18.6%
Total	87	99.8%	87	99.9%	86	100.0%	86	100.0%

Note: Due to rounding, certain percentage totals may not equal 100%.

See accompanying independent accountants' report on applying agreed-upon procedures.

The *ILEAP* Tests

For the Year Ended June 30, 2009

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2008		2008		2008		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	2	7.4%	1	3.7%	0	0.0%	0	0.0%
Mastery	3	11.1%	3	11.1%	0	0.0%	2	7.7%
Basic	9	33.3%	12	44.4%	8	30.8%	15	57.7%
Approaching Basic	6	22.2%	2	7.4%	11	42.3%	3	11.5%
Unsatisfactory	7	25.9%	9	33.3%	7	26.9%	6	23.1%
Total	27	99.9%	27	99.9%	26	100.0%	26	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2008		2008		2008		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Mastery	0	0.0%	1	4.5%	0	0.0%	0	0.0%
Basic	2	9.1%	7	31.8%	3	13.6%	3	13.6%
Approaching Basic	13	59.1%	4	18.2%	10	45.5%	7	31.8%
Unsatisfactory	7	31.8%	10	45.5%	9	40.9%	12	54.5%
Total	22	100.0%	22	100.0%	22	100.0%	22	99.9%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2008		2008		2008		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0.0%	3	4.4%	0	0.0%	0	0.0%
Mastery	3	4.4%	1	1.5%	2	2.9%	0	0.0%
Basic	14	20.6%	18	26.5%	17	25.0%	19	27.9%
Approaching Basic	24	35.3%	12	17.6%	25	36.8%	18	26.5%
Unsatisfactory	27	39.7%	34	50.0%	24	35.3%	31	45.6%
Total	68	100.0%	68	100.0%	68	100.0%	68	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2008		2008		2008		2008	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Mastery	1	2.8%	1	2.8%	0	0.0%	0	0.0%
Basic	10	27.8%	9	25.0%	6	16.7%	11	30.6%
Approaching Basic	16	44.4%	14	38.9%	18	50.0%	12	33.3%
Unsatisfactory	9	25.0%	12	33.3%	12	33.3%	13	36.1%
Total	36	100.0%	36	100.0%	36	100.0%	36	100.0%

Note: Due to rounding, certain percentage totals may not equal 100%.

See accompanying independent accountants' report on applying agreed-upon procedures.

The iLEAP Tests
For the Year Ended June 30, 2009

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2007		2007		2007		2007	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 3								
Advanced	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Mastery	1	4.8%	0	0.0%	0	0.0%	1	4.8%
Basic	7	33.3%	7	33.3%	4	19.0%	7	33.3%
Approaching Basic	7	33.3%	8	38.1%	13	61.9%	6	28.6%
Unsatisfactory	6	28.6%	6	28.6%	4	19.0%	7	33.3%
Total	21	100.0%	21	100.0%	21	99.9%	21	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2007		2007		2007		2007	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 5								
Advanced	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Mastery	1	2.1%	2	4.2%	1	2.1%	0	0.0%
Basic	5	10.4%	9	18.8%	6	12.5%	3	6.3%
Approaching Basic	11	22.9%	9	18.8%	13	27.1%	14	29.2%
Unsatisfactory	31	64.6%	28	58.3%	28	58.3%	31	64.6%
Total	48	100.0%	48	100.1%	48	100.0%	48	100.1%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2007		2007		2007		2007	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 6								
Advanced	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Mastery	0	0.0%	0	0.0%	0	0.0%	1	2.2%
Basic	6	13.0%	17	37.0%	13	28.3%	10	21.7%
Approaching Basic	13	28.3%	12	26.1%	18	39.1%	22	47.8%
Unsatisfactory	27	58.7%	17	37.0%	15	32.6%	13	28.3%
Total	46	100.0%	46	100.1%	46	100.0%	46	100.0%

District Achievement Level Results	English Language Arts		Mathematics		Science		Social Studies	
	2007		2007		2007		2007	
Students	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Grade 7								
Advanced	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Mastery	2	2.9%	1	1.4%	0	0.0%	0	0.0%
Basic	11	15.9%	18	26.1%	11	15.9%	19	27.5%
Approaching Basic	26	37.7%	20	29.0%	35	50.7%	26	37.7%
Unsatisfactory	30	43.5%	30	43.5%	23	33.3%	24	34.8%
Total	69	100.0%	69	100.0%	69	99.9%	69	100.0%

Note: Due to rounding, certain percentage totals may not equal 100%.

See accompanying independent accountants' report on applying agreed-upon procedures.



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INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors of
FirstLine Schools, Inc.

We have audited the financial statements of the **FirstLine Schools, Inc. (FirstLine)** for the year ended June 30, 2009 and have issued our report thereon dated December 17, 2009.

In planning and performing our audit of the financial statements of **FirstLine** for the year ended June 30, 2009, we considered **FirstLine's** internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. Our comments and recommendations regarding these matters are outlined below. This letter does not affect our report dated December 17, 2009 on the financial statements of **FirstLine**.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and recommendations with various personnel of **FirstLine**, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters and assist you in implementing the recommendations.

FIRSTLINE SCHOOLS, INC.
CURRENT YEAR COMMENTS

09 - 01 DISASTER RECOVERY PROGRAM

As in the prior year, we noted during our audit that **FirstLine** still does not have well-defined, written and tested disaster recovery procedures. The time to make such contingency plans is before disaster strikes. The plan should be adequately defined and efficiently detailed to provide for all safeguards in the event of an emergency situation.

Recommendation

We continue to recommend that a formal Disaster Recovery Program be implemented and that related policies and procedures are developed. Backup of financial operations should be a major consideration.

09 - 02 RECONCILIATION OF SUBSIDIARY RECORDS

We noted during our audit that accounts payable and fixed asset/accumulated depreciation general ledger account balances do not agree to related subsidiary records. The differences between the records were not considered material.

Recommendation

We recommend that all general ledger control accounts are timely reconciled on a monthly basis to subsidiary records to determine the accuracy of balances in the general ledger.

FIRSTLINE SCHOOLS, INC.
CURRENT YEAR COMMENTS, CONTINUED

09 - 03 EQUIPMENT INVENTORIES

We noted during our audit that **FirstLine** did not conduct separate physical inventories of equipment that was purchased with federal funds, non-federal public funds and private funds.

Recommendation

Federal regulations require grantees of federal funds to conduct physical equipment inventories no less than every two (2) years. Therefore, we recommend that **FirstLine** implement procedures to require **FirstLine** to conduct timely annual physical inventories by the source of funding for equipment donated to or purchased by **FirstLine** that will comply at a minimum with federal requirements.

09 - 04 CASH DISBURSEMENTS
Public Charter School Program (PCSP)

We noted the following during our test of PCSP transactions:

- o One out of twenty-five (25) transactions did not agree to the invoice amount. The difference was an immaterial amount; and
- o One out of twenty-five (25) transactions did not document the business travel purpose.

Recommendation

We recommend that **FirstLine** take the necessary steps to ensure that amounts recorded to accounting records will at all times agree to source documentation. Also, we recommend that **FirstLine** update its current procedures to ensure that all travel and employee reimbursement costs are completely documented for their business purpose.

FIRSTLINE SCHOOLS, INC.
CURRENT YEAR COMMENTS, CONTINUED

09 - 05 ACCOUNTING MANUAL

FirstLine does not have a formal accounting manual documenting the procedures for fiscal operation. A written accounting manual is necessary to ensure that transactions are treated in a standardized manner and that proper internal controls exist in the accounting system. Should employee have a question as to the proper handling of a transaction in accordance with management's authorization, such information is not available in writing.

Recommendation

We recommend that operation guidelines for fiscal activities be prepared including a description of each fiscal procedure, such as invoice paying, maintenance of accounts receivable and accounts payable subsidiary records, and payroll procedures. In addition, an expense allocation methodology should also be incorporated into the accounting manual.

FIRSTLINE SCHOOLS, INC.
STATUS OF PRIOR YEAR COMMENT

08 - 01 DISASTER RECOVERY PROGRAM

We recommended that a formal Disaster Recovery Program be implemented and that related policies and procedures are developed. Backup of financial operations should be a major consideration.

Current Status

Unresolved. See current year management letter comment 09-01.

This report is intended solely for the information and use of management, the **FirstLine Schools, Inc.**'s Board of Directors, the Louisiana Recovery District, the Louisiana Legislative Auditor and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP
BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

December 17, 2009